

the Orient. Their operations are not confined to English dependencies alone, but extend to all parts of China where European enterprise has penetrated, to the Philippine Islands, to Japan, and to other countries. These banks are the Hong-kong and Shanghai Banking Corporation, the Chartered Bank of India, Australia, and China, and the Mercantile Bank of India. The first-named is by far the most powerful, and in many matters the others are content to work in harmony with its policy. The Mercantile Bank is less active in China than the Chartered Bank, but is an active factor in the Straits Settlements.

The Hong-kong and Shanghai Banking Corporation was established by a local ordinance of the Hong-kong Government in 1866, with a capital of \$2,500,000. Being thus of Eastern origin, its accounts are stated in Mexican dollars, without regard to their fluctuations in English gold. Notes were issued in Hong-kong, in Shanghai, in the Philippine Islands, and in the Straits Settlements, but have been gradually withdrawn in the Philippines since the issue of coin certificates by the Philippine Government. The shareholders of the bank are subject to unlimited liability for the note issues, but the cash reserve of the bank may be kept exclusively in Hong-kong and a premium charged for the redemption of notes at any other office than that where they are issued. The original reserve requirement was specie to at least one-third of the circulation, and the banks other than the Hong-kong were required to keep specie in this proportion at each office where notes were issued.¹ At present the Hong-kong Bank deposits securities and coin with the Crown agents for the colonies and their trustees to the amount of \$15,000,000 and deposits coin in full with the Hong-kong Government for issues in excess of this amount.² The bank is allowed to issue notes of the denomination of \$1 as a substitute for handling the heavy silver.

¹ Chalmers, 379.

² London *Bankers' Magazine*, April, 1908, 1/XXXV., 631.